

Invesco Strategic Active/Passive Tax-Aware Portfolios

2025

Key takeaways

- 1** Global markets in Q4 2025 saw equities edge higher amid easing rate expectations, resilient growth, and ongoing geopolitical uncertainty.
- 2** All four of the Invesco Strategic Active/Passive Tax-Aware Portfolios produced positive returns, although all underperformed their custom benchmarks for the year on a net of fees basis.
- 3** Alternatives were a positive contributor to holistic portfolio performance, driven in part by managed futures strategies, whereas fixed income lagged, hindered by weaker performance in bank loans.

What this model does

The Invesco Strategic Active/Passive Tax-Aware Portfolios utilize strategic long-term asset class allocations to produce diversified, tax-sensitive portfolios that aim to outperform the benchmark throughout a full market cycle. With multiple risk levels in the suite, there are a range of potential solutions to suit an investor's risk profile and return objective.

Market Overview

Both equity and bond markets registered positive gains, driven by easing inflation, Fed rate cuts in October and December, and resilient corporate earnings, even as delayed economic data and persistent geopolitical and trade uncertainties posed risks. Non-US equities once again outperformed the broad US equity market. The Fed lowered rates by 50 basis points and signaled a cautious stance going forward. The US dollar held firm on strong growth and safe-haven demand, while commodities advanced broadly, with precious metals benefiting from shifting monetary expectations. Key themes included optimism around AI-driven growth, volatility from fiscal gridlock, and investor positioning for a changing interest rate environment.

US Equity

Domestic markets were marked by volatility, a brief late November dip, and a market environment focused on quality and earnings strength during the fourth quarter. Despite the longest government shutdown on record, the S&P 500 advanced, helping the market achieve another year of double-digit returns. Health care and communication services led performance, driven by steady demand, innovation, and strong digital platform growth alongside improving consumer sentiment. Real estate and utilities lagged as falling interest rates and monetary easing reduced the appeal of traditionally defensive, rate-sensitive sectors. Collectively, value stocks outpaced growth, and large-caps led the market, followed by small-caps.

International Equity

International equities maintained their strong performance and outpaced US markets for a fourth consecutive quarter. Emerging markets outperformed, driven by attractive valuations and strong earnings momentum, with India and South Korea among the best performers thanks to robust technology and export sectors. China lagged due to regulatory pressures and slower economic recovery, while Mexico underperformed amid trade-related headwinds. Geopolitical tensions and trade uncertainties persisted, encouraging investors to favor diversified, high-quality exposure while remaining cautious on regions sensitive to policy risk. Overall, sentiment improved as monetary easing and stabilizing fundamentals boosted confidence across global markets.

Fixed Income

Bond markets ended Q4 on a positive note as global monetary easing gained momentum. US Treasuries posted modest gains as front-end yields declined following multiple Fed rate cuts, while longer maturities held firm, resulting in a steeper curve. Credit markets strengthened, with investment-grade and high yield spreads tightening on solid corporate fundamentals. Inflation-linked bonds underperformed as price pressures continued to ease. European government bonds rallied on dovish central bank signals and stabilizing growth. Emerging market debt saw robust inflows, supported by a weaker dollar and improving risk sentiment. Investors focused on duration and credit opportunities as rate normalization accelerated worldwide.

Past performance is not indicative of future results. As with any investment vehicle, there is always the potential for gains as well as the possibility of losses. An investment cannot be made directly in an index. See the last page for additional important information.



Portfolio performance for the year

- Using the Invesco Strategic Active/Passive Tax-Aware 60/40 Portfolio as a proxy for performance across the suite, the portfolio returned 12.33% (9.03% net-of-fees) for the year and underperformed its custom benchmark which returned 14.43%. The custom benchmark composition is provided on the final page.
- From a macro asset class perspective, performance for the year was driven by positive returns in equities and fixed income, while alternatives lagged the other asset classes.
- Within equities, the best performing fund was the Invesco Developing Markets Fund. Conversely, the worst performing fund was the Invesco Main Street Small Cap Fund, despite its positive return.
- Within fixed income, the Invesco Floating Rate ESG Fund generated the highest overall return. Conversely, the Invesco National AMT-Free Municipal Bond ETF generated the lowest overall return, despite its positive performance.
- Within the alternative asset portion of the portfolio, the Virtus AlphaSimplex Managed Futures Strategy Fund posted a negative return for the year.

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Holdings and characteristics

Portfolio holdings (%)

Underlying investment	Ticker	20/80	40/60	60/40	80/20
US Equity		18.4	31.2	45.1	57.8
Invesco Russell 1000 Dynamic Multifactor ETF	OMFL	3.9	7.2	10.6	13.7
Invesco NASDAQ 100 ETF	QQQM	3.4	6.0	8.8	11.2
Invesco S&P 500 Top 50 ETF	XLG	3.2	5.9	8.7	11.2
Invesco S&P 500 Revenue ETF	RWL	3.1	5.1	7.4	9.3
Vanguard Total Stock Market ETF	VTI	2.8	5.0	7.2	9.3
Invesco Main Street Small Cap Fund	OSCYX	2.0	2.0	2.4	3.1
International Equity		4.8	11.1	16.6	22.2
iShares Core MSCI EAFE ETF	IEFA	2.4	3.6	5.8	7.8
Hartford Schoders International Stock Fund	SCIEX	2.4	3.5	5.8	7.8
Invesco International Small Company Fund	IEGYX	0.0	2.0	2.7	3.6
Invesco Developing Markets Fund	ODVYX	0.0	2.0	2.3	3.0
Fixed Income		70.4	50.4	30.7	18.0
Invesco Intermediate Term Municipal Income Fund	VKLIX	21.7	15.7	9.9	5.0
PIMCO Municipal Bond Fund	PMUNX	12.5	8.9	5.3	3.7
Invesco National AMT-Free Municipal Bond ETF	PZA	12.4	8.9	5.3	3.7
Invesco Municipal Income Fund	VMIIX	12.5	9.0	5.3	3.6
Invesco Rochester Municipal Opportunities Fund	ORNYX	4.2	3.3	2.8	2.0
Invesco Floating Rate ESG Fund	AFRYX	3.6	2.6	2.1	0.0
JPMorgan Ultra-Short Municipal Income ETF	JMST	3.5	2.0	0.0	0.0
Alternative		4.4	5.3	5.6	0.0
Virtus AlphaSimplex Managed Futures Strategy Fund	ASFYX	4.4	5.3	5.6	0.0
Cash		2.0	2.0	2.0	2.0
Total		100.0	100.0	100.0	100.0

Portfolio characteristics

	20/80	40/60	60/40	80/20
% ETFs	35	44	54	66
% Mutual funds	63	54	44	32
Weighted average expenses (%)	0.54	0.52	0.49	0.39
Total number of holdings (excluding cash)	16	18	17	15

Source: Invesco, as of December 31, 2025. Holdings are subject to change and are not buy/sell recommendations. Totals may not equal 100% due to rounding. The model portfolio expense ratio is a weighted average net expense ratio of the underlying holdings. The expenses do not include transaction costs. Brokerage commissions may or may not apply. The table above reflects all recommended securities in the strategy and their allocation as of the date of this document. Where cash is shown, it is for the model level. It does not include possible amounts held within each underlying fund.

Composite performance

Performance (%) as of December 31, 2025

Period		20/80	40/60	60/40	80/20
3-month	"Pure" Gross Return*	1.70	2.05	2.36	2.52
	Net Return	0.94	1.29	1.60	1.76
	Benchmark Return	1.79	2.12	2.44	2.76
1-year	"Pure" Gross Return*	5.89	9.18	12.33	16.25
	Net Return	2.77	5.98	9.03	12.85
	Benchmark Return	7.48	10.96	14.43	17.88
3-year	"Pure" Gross Return*	6.42	9.40	11.89	14.67
	Net Return	3.28	6.18	8.61	11.31
	Benchmark Return	7.05	10.33	13.64	16.97
5-year	"Pure" Gross Return*	2.69	4.89	6.67	8.72
	Net Return	-0.34	1.80	3.53	5.52
	Benchmark Return	2.89	4.98	7.04	9.05
Since inception (9/30/17)	"Pure" Gross Return*	3.95	5.82	7.44	9.12
	Net Return	0.89	2.70	4.28	5.91
	Benchmark Return	4.13	5.97	7.74	9.44

Past performance is not indicative of future results. As with any investment vehicle there is always the potential for gains as well as the possibility of losses. Returns for greater than one year are annualized.

*"Pure" gross of fees returns reflect the deduction of trading costs but do not reflect any other expenses, outside of the operational expenses, and are supplemental to net returns. See note 4 on the following page.

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3. Composite information for Invesco Strategic Active/Passive Tax Aware Portfolio Wrap Composites is representative of Invesco Strategic Active/Passive Tax Aware 20/80 Portfolio Wrap Composite, Invesco Strategic Active/Passive Tax Aware 40/60 Portfolio Wrap Composite, Invesco Strategic Active/Passive Tax Aware 60/40 Portfolio Wrap Composite, and Invesco Strategic Active/Passive Tax Aware 80/20 Portfolio Wrap Composite. The Invesco Strategic Active/Passive Tax Aware Portfolio Wrap Composites include all discretionary accounts styled after the corresponding Invesco Pinnacle Series: Total Beta Tax Aware Model Portfolio. The portfolios seek to achieve higher risk-adjusted returns within predefined levels of risk, over a full market cycle, by accessing strategic asset class allocations through cost-effective exchange-traded funds, which targets a percentage of Equity and Fixed Income. The portfolios offer broad diversification across asset and sub-asset classes, investment factors, and investment managers. They are also designed to deliver increased investment flexibility and customization to achieve specific investor outcomes and provides exposure to tax-exempt income with high credit quality. For periods beginning December 1, 2023, the composite is composed of 100% non-fee paying discretionary wrap accounts. Prior to December 1, 2023, the composite was composed of 100% non-fee paying discretionary institutional accounts. The historical performance results are for the four allocations in the Invesco Strategic Active/Passive Tax Aware Portfolio Institutional Composites. The composites are managed in comparison to, not duplication of, the respective benchmarks. The composites were created in October 2017.
4. "Pure" gross of fees returns reflect the deduction of trading costs but do not reflect any other expenses, outside of the operational expenses, and are supplemental to net returns. Performance results are presented both net and gross of total wrap fees. For periods beginning March 1, 2024, the net returns reflect the deduction of the maximum total wrap fee, which is currently 3.00% per annum or 0.250% monthly, from the "pure" gross return. For periods from March 1, 2021 through February 29, 2024, the net returns reflect the deduction of the maximum total wrap fee of 1.50% per annum or 0.125% monthly, from the "pure" gross return. Prior to March 1, 2021, the net returns reflect the deduction of the maximum total wrap fee of 2.00% per annum or 0.1667% monthly, from the "pure" gross return. Effective March 1, 2024, the model fee has been retroactively changed for all periods since inception to 3.00%. A model fee is the highest wrap fee a client could pay (3.00% annually as charged by the program sponsor). The total wrap fee includes all charges for trading costs, portfolio management, custody and other administrative fees. The standard wrap fee schedule currently in effect is as follows: 3.00% on total assets. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. All returns are expressed in U.S. dollars and are gross of nonreclaimable withholding tax, if applicable.
5. The Invesco HCB Multi Asset Tax-Aware Linked Indexes are comprised of MSCI ACWI All Cap Net Return Index, Russell 3000 Index, Bloomberg Municipal 1 Year Bond Index, Bloomberg Municipal Bond Index, Bloomberg Municipal High Yield Bond Index and Morningstar LSTA US Leveraged Loan Index, in percentages consistent with the equity and fixed income allocation of each representative strategy and is rebalanced daily. Prior to February 1, 2025, the custom indexes comprised of the MSCI All Country World Index (ACWI) Net Return (NR) and Bloomberg Municipal Bond Total Return (TR) Index Unhedged, in percentages consistent with the equity and fixed income allocation of each representative strategy. The benchmark is used for comparative purposes only and generally reflects the risk or investment style of the product. For comparison purposes the index is fully invested, which includes the reinvestment of income. The returns for the index do not include any transaction costs, management fees or other costs.
6. In September 2023 the composite changed names from the Invesco Pinnacle Series: Total Beta Tax Aware Multi-Manager SMA Wrap Composite to the Invesco Strategic Active/Passive Tax Aware Portfolio Wrap Composite.
7. The following are available on request:
 - * Policies for valuing investments, calculating performance, and preparing GIPS reports
 - * List of composite descriptions
 - * List of limited distribution pooled fund descriptions
 - * List of broad distribution pooled funds.
8. To receive a composite report that adheres to the GIPS standards, and/or to receive a complete list and description of the firm's composites, please write to Invesco Advisers, Inc., PMAR – NA Performance, pmarperformancenaretail@invesco.com, 11 Greenway Plaza, Suite 1000, Houston, Texas 77046.
9. Past performance is not indicative of future results. As with any investment vehicle there is always the potential for gains as well as the possibility of losses.

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The custom indexes for the Invesco Strategic Active/Passive Tax-Aware Portfolios are composed of a combination of indices listed below consistent with the equity and fixed income allocation of each representative portfolio. An investment cannot be made directly in an index.

Benchmark composition (%)

Index name	20/80	40/60	60/40	80/20
Bloomberg Municipal 1 Year Bond Index-TR	3.8	2.9	1.9	0.9
Bloomberg Municipal Bond Index-TR	60.8	45.6	30.4	15.2
Bloomberg Municipal High Yield Bond Index-TR	11.4	8.6	5.7	2.9
Morningstar LSTA US Leveraged Loan Index-TR (USD)	4.0	3.0	2.0	1.0
MSCI ACWI All Cap Index-NR (USD)	16.0	32.0	48.0	64.0
Russell 3000 Index-GR (USD)	4.0	8.0	12.0	16.0

Source: Invesco, Bloomberg L.P. and FactSet as of December 31, 2025.

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